

**SPECIAL MEETING
COMMITTEE ON HUMAN RESOURCES/INSURANCE**

May 17, 2004

5:30 PM

Chairman Shea calls the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Sysyn, DeVries, Garrity, Forest

Messrs: Virginia Lamberton, Jack Sharry, Mark Nicholson,
John O'Leary

Chairman Shea addressed Item 3 of the agenda:

Discussion on the selection of a health insurance carrier for the City.

Virginia Lamberton, Human Resources Director, stated with me tonight is Jack Sharry, President of Group Benefits Strategies, and Mark Nicholson who works with Jack, both of them have been consulting for the City for our benefit program.

Jack Sharry, President of Group Benefits Strategies, stated I would like to make an opening statement and then turn it over to Mark Nicholson. We are the consultant for the group health insurance plans here in the City of Manchester. Mr. Chairman, just five months ago we embarked on a program to put the health insurance out to bid for July 1st. That process was a lengthy process of which several member of your committee participated. What I would like to say tonight, Mr. Chairman, to the group and to the City of Manchester, is that in the 20 years that I've been in the health insurance consulting business, I have never seen a process evolve like this one did. If I could liken it to a heavy weight fight, the incumbent Anthem was challenged initially by eight contenders. We narrowed that down to three and then to two, Anthem and Cigna. And I'd like to just suggest to you that both companies put an extraordinary time, effort, and passion into the process. Both companies did an outstanding job. With us tonight from Blue Cross/Blue Shield is Mr. John O'Leary and with us from Cigna is Mr. Don Curry. Both of those companies, Mr. Chairman, fought a fight tooth and nail right

down to the end. A fair, hard hitting fight. The end result is that the City of Manchester is the winner by several hundred thousand dollars. But I would like the committee to know and to acknowledge before this process is over that it is both of these companies that made this process possible. Two professional companies, two good companies that went head to head in an effort to represent the City of Manchester and I think they both ought to be acknowledge for their efforts. At this time I will turn it to Mark Nicholson.

Mark Nicholson stated hopefully everyone has a copy of the Executive Summary. There are an awful lot of numbers in this. Some are more relevant than others. We have tried to make this as user friendly as possible and I'll walk you through it right now. After the cover page is a page that is the chronology of events for the RFP process. Back in January we sent the RFP to eight health care vendors. There were four health plans, one broker who requested the RFP from Ginny, and three third party administrators. Five of those eight responded with proposals. We put together an executive summary of the proposals and reviewed that with Ginny. From there we basically came up with three semi-finalists and we interviewed the three semi-finalists basically all day at the Rines Center on March 30th, it was about two hours for each vendor. After the interviews, we came up with the two finalists being Anthem and Cigna. You can see that both Anthem and Cigna updated their proposals after the interviews. We then met with Ginny in April 27th and reviewed the updated proposals and at that time we decided to go back to both Anthem and Cigna and ask them if they have any additional further changes to their proposal, they could do so by May 3rd. Both Anthem and Cigna did make additional changes to their original proposals and basically that's where we are right now. If you go to Page 1, the top of Page 1 and the tops of Pages 1 –6 actually show our current funding rates with Anthem Blue Cross/Blue Shield for this year. The tan numbers are our current projections. Page 1 shows Cigna's original proposal and it is broken down by the three cost components of a self funded health plan, the anticipated claims, the health plan administrative costs, and the reinsurance premium. So you can see at the very bottom when you compare Cigna's original proposal to our current projected costs, there is about a 5 percent increase to start. Going to Page 2 is Anthem's original proposal and you can see similarly Anthem's original proposal would have meant about a 10 percent increase over the current year's projected costs. Pages 3 and 4 represent the updated proposals for both Cigna and Anthem. Cigna's was in early April; Anthem's was on April 20th. And then when you get to Pages 5 and 6, you can clearly see where this process has benefited the City. Cigna's final proposal is on Page 5, Anthem's is on Page 6. Now one of the factors that we have always been somewhat skeptical of is the idea of reducing anticipated claims and so if you look to Page 7, what we've done there is isolate the fixed costs for each of the proposals. With fixed costs meaning the administrative fees and the reinsurance premium. The left box shows Anthem's three proposals, their original, their

update, and then their final as of May 4th. Then the right box shows similarly Cigna's. Anything in red on that page represents changes from the original proposal. One item that I do want to just touch on real quick, the last item on the left box where it says fiduciary fee. Because the City is on a self-funded financial arrangement, the City basically has the final say on any questions of benefits for coverage. We think that puts you in a very tricky position and so we asked both Cigna and Anthem would they consider taking over that, and you can see Cigna would take over that for a fee of \$15,000, Anthem would take over that and would cap that fee at \$20,000. I just want to also touch on the Cigna proposal. Cigna would provide the City and implementation/communication stipend of \$25,000 to help you change if you go that route. We also provided a performance guarantee, a network discount guarantee, and I know that some of you have been to some of our meetings previously where we had more or less a seminar on prescription drugs. It's important to note that both of these health plans have agreed to share the prescription drug rebates with the City. That's been a bone of contention for a long time. If you go to Page 8, that more or less takes Page 7 to the next step. You can see the bottom line estimated net fixed costs when you take out Cigna's implementation and communication stipend. So the Cigna fixed costs would be about \$135,000 lower than Anthems. Page 9 just gives you an idea of where we have come in this whole process. Page 9 breaks down the current financial arrangement for this year by the anticipated claims, the administrative costs and the reinsurance premium. We then compare Page 10 and 11 to Page 9. Page 10 represents once again, Cigna's proposal and Page 11 represents Anthem's proposal. So you can clearly see from the admin and reinsurance side there are substantial savings over the current year for both of these plans. Lastly, Page 12 shows the cost for each of the plans from the employees perspective. The top box shows the employees contribution on a monthly basis. That is in the tan shade, right now. The middle box shows what the employees contribution would be based on the Cigna's proposal and the bottom box based on the Anthem proposal. So you can see from the employee's side there's actually a small savings, there is really no increase. Again, the bottom line here is that when all is said and done, whichever health vendor the City elects to go with, I think the RFP process, the City has been well served through the RFP process for the year starting July 1st.

Mr. Sharpy stated one thing in neglected to say and I think was very evident in the presentation by Mark, is that we report to Virginia, she did an outstanding in making decisions step by step as to what she wanted us to do. It made our job a lot easier when we go clear, concise directions from Virginia Lamberton as to how to proceed.

Chairman Shea asked Ginny do you have anything to add.

Ms. Lamberton stated I've thought about this and thought about this and what I should recommend to the committee and I've looked our relationship with Anthem, I've looked at the numbers and I've looked at other factors. One of the other factors is, I'm not sure what we call it, but what we do is we compare the providers that our employees have, meaning doctors and nurse practitioners with providers that Cigna has contracts with and what we found was that 172 of our employees would have to change their family practitioner or their internal medicine person or their nurse practitioner and that troubles me that that many people would have to make changes in their providers. That's really 14 percent of our employees would be affected by that and as you know people get comfortable with who their doctors and have a good relationship with them. So that's a concern of mine that I think is almost priceless. I don't know how you put a dollar value on somebody going to a particular doctor over the years. The other concern I had was, and let me tell you that Cigna did an incredible job in their presentation. They were very, very impressive but I did do call around as was suggested by both Cigna and by Jack and Mark to find out, like the State, I think you know the State went from Anthem last year to Cigna, how did the implementation go, what's the satisfaction level, was there any problems, etc. And I got very extreme mixed reviews on that, on the actual implementation and part of that had to do with the fact that's also consistent with what we go, was we said here's what are level of benefits are today. We have a \$15.00 co-pay for office visits and we have prescriptions at \$10.00, \$15.00, \$25.00. Cigna did in their bid they put in lower numbers. In other words, we negotiated for a long time to get our office visits up to \$15.00 for the co-pay for the employee. Cigna's numbers said a \$10.00 co-pay. Sooner or later that comes out of claims. The employees would be very happy about that, I would be very happy about that, but sooner or later the claims that we have would go up by however many times people went to doctors during the year and that was a problem with the State as well. That for whatever reason there was problems with implementing that. It took three or four months and many, many thousands of phone calls with people being upset about what was going on. So the long and the short of it is, I believe that at this point in time we should continue our relationship with Anthem. I think that most everybody would be pleased about that and it's no offence to Cigna, I just think it's in the City of Manchester's best interest. All we've had with Anthem over the years is a gentlemen's agreement to do business. We haven't really had a signed contract with them, I think mostly because our disagreement about rebates. They are now willing to give us the rebates on prescriptions and so I would recommend we move forward with Anthem at this time.

Alderman DeVries stated either of Ginny or Jack. I notice on Page 7 the comparison between the cap on administrative fees in future years, in year two and year three and I appears the Anthem proposal is a little bit better in year three.

They are identical in year two. Did that weigh in at all, Ginny or Jack, should it weigh in on our decision.

Ms. Lamberton replied I believe it should. It certainly was one of the factors that I considered because sooner or later it ends up costing you more money.

Alderman DeVries asked and that dollar sign? Can you throw that out?

Ms. Lamberton replied when we're talking about capping remember, claims we have no control over. Claims are claims. We could have lower claims next year, or we could have claims that were twice as much as we anticipated. We never know that until the end of the year. One thing we do know is what our administrative fees are and what our stop loss is and that's what we're really capping is our administrative fee.

Alderman DeVries asked and that's equivalent to about a \$30,000 savings?

Ms. Lambertson answered whatever 5 percent is.

Alderman DeVries stated and I also see on the Cigna proposal on the bottom of that page, their \$25,000 stipend to get us up and running. That was implementation fee could be used to reduce the administrative fee. How did you weigh in...I'm assuming if we did not need the full \$25,000 to implement to educate our members any of the difference, is that what they're saying?

Mr. Nicholson replied actually it can be used to reduce the administrative fee. That is the prescription drug rebate.

Alderman DeVries stated okay I was misreading that. The slight variations in the plan from Cigna to Anthem; could you reiterate? Could you give me a little bit better detail of what those variations were?

Mr. Sharry stated relative to the caps on years two and three, it has been several years frankly since we've been able to have any carrier that we do, whether it's here in Manchester or in Massachusetts or Connecticut. Even to suggest that they would put a cap on years two never mind three, I think again it's indicative of the fact that both of these companies really made an all out effort and to get caps is very unusual in this economic time.

Alderman DeVries asked did you want to go over the highlights of this handout?

Mr. Nicholson stated when Cigna provided their initial proposal, it was clear that they are not able to exactly replicate our current plan benefits. They have done the best job that they could to try to get as close as possible. And you can see that there in fact are several benefits here where Cigna benefit is actually richer than the current benefit. But again as we mentioned, there are some slight variations. The pharmacy prescription; Anthem's is 31 days for a supply, Cigna's is 30. They are slight but there are some differences. The chiropractic benefit; Anthem's is for 12 visits, Cigna's is for 20 visits, however, they have a different co-pay.

Alderman DeVries asked when you weigh the advantages between...because Cigna is better in some categories, Anthem in others, when you weight this based on the assumptions of use of our members, did you have any kind of a logical feedback for us on what you felt was the better of the two.

Ms. Lamberton replied please keep in mind that all of our contracts with the Unions state that we have to provide them with the same level of benefits that we currently have. So regardless of what anybody would like to do, one way or the other, we have to be consistent with what we've already negotiated with the employees. And so if Cigna's offering less, we can't do that, they are offering more, we really can't do that either, I'm sure nobody would complain, but we really shouldn't be doing that either.

Alderman DeVries stated I'm sure they wouldn't complain. And to answer that...?

Ms. Lamberton answered it is going to cost more money. If you're allowed 20 visits rather than 12, that costs money, no matter what you say. If you only have to pay \$5.00 for an office visit and let's say 1,000 office visits at the end of the year, it's going to cost \$5.00 more times 1,000 and so it's going to come out of the claims account.

Alderman DeVries asked the utilization might increase because there's a lesser co-pay?

Ms. Lamberton replied it may or may not, but no matter what, it's going to be more for the City to pay than it would have been had it been the co-pay that we negotiated, which was \$15.00.

On motion of Alderman Garrity, duly seconded by Alderman Forest, it was voted to accept the Director Human Resources recommendation that the City remain with Anthem Blue Cross and Blue Shield.

Alderman Roy stated Ginny, on the Anthem Blue Cross, the 25 visits for speech, 25 visits for combined, is there a waiver process or an evaluation process that they may be eligible for more should they need them?

Ms. Lamberton answered I'm pretty sure that you can if you have doctor redo the whole record and justify a continuance, but I'll just look to John to see if that's true.

John O'Leary, Account Manager with Anthem Blue Cross, answered the limits that are in place are the limits of the benefit. We looked at it when we established the benefit and roughly 97 percent of all services fall within that limit. But to answer your question directly, there is no appealed process that will extend that limit.

Alderman Roy stated I would like to thank as well as Ginny, I know she worked hard on bringing in our consultant and I think they've done an excellent job and I thank the private sector insurance companies for coming in and both working with us.

Chairman Shea stated and I too as Chairman would like to thank you both, Jack and Mark for your excellent work. The City is just so indebted to you. I also want to compliment both representatives here today from Cigna and from Anthem. We feel that both of you people, as was reiterated earlier, very professional in your approach, we appreciate your efforts in this matter. Unfortunately we can only recommend one particular vendor and obviously we did recommend Anthem. Also Ginny, thank you for your work in this matter. It was invaluable.

There being no further business to come before the committee, on motion of Alderman Garrity, duly seconded by Alderman Sysyn, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee